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Verification sectorielle



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Summary of Discussion Paper No. 65:

**La vérification sectorielle
(défi à la collaboration et à la coordination)**

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A SECTORAL AUDIT EXPERIENCE

The sectoral audit of the Immigration Program on which the Office of the Auditor General reported in 1990 was something new at the OAG, not in terms of using new audit principles or subjects, but rather in terms of the scope of the audit and how it was conducted.

This audit dealt with a program created under a single Act, administered by seven entities and for which a single minister had been given final accountability.

A sectoral audit differs from a government-wide audit. An audit is termed sectoral when it focusses on a program implemented by several separate entities, each of which share in the responsibility for achieving the program objectives. The findings of such an audit are judged to be complete only if the audit encompasses all of the entities, activities that have a significant effect on the results of the program being audited.

The sectoral audit can be better understood by comparing it to the normal government-wide audit, which generally focusses on the implementation of a policy applicable to all government entities (effectiveness, financial control, capital assets management, etc.). By comparison, a sectoral audit usually focusses on the implementation of a specific program (immigration, wholesomeness of food, etc.) by entities who each assume different responsibilities. In such cases, the actions of one entity can influence the operations of others, as well as program results as a whole.

The sectoral audit has several major advantages. It makes it possible to develop an overall perspective of the implementation of a program and its key results. It highlights all questions related to accountability and permits more effective assessment of the elements essential to its successful implementation.

This type of audit also produces more comprehensive information and better meets the needs of Parliament. It establishes closer communication among the bodies concerned and attracts the attention of the central agencies, which may subsequently intervene in the implementation of recommendations. In the sectoral audit, we often examine activities whose relative significance in their individual entities would not warrant an examination, although they have specific effects on the results of the program being audited. This was the case for activities of Revenue Canada--Customs and Excise (RC-CE), Health and Welfare Canada (HWC), the Canadian Security Intelligence Service (CSIS) and the Royal Canadian Mounted Police (RCMP) related to the Immigration Program.

Sectoral audits can thus provide a more complete audit product than is obtained by auditing each entity separately, as has traditionally been done.

From our experience, we concluded that the scope of a sectoral audit presents specific challenges and constraints.

The first challenge relates to planning. The type and number of human resources needed and the length of such an exercise require long-term planning. We believe that the OAG's planning process does make it possible to ensure that sectoral audits are included in the audit teams' five-year plans. The OAG has, moreover, expanded the mandate of the Standing

Committee on the Annual Report in order to improve the planning of audits. Among other things, this change means that the priority to be accorded to an audit is confirmed simultaneously by all the teams concerned and helps secure the teams' commitment. This provides for more effective implementation of operational plans and assignment of financial and human resources.

The second challenge relates to organization and co-ordination. Since the OAG assigns audit responsibilities to its Assistant Auditors General and Principals on a departmental or agency basis, consideration must be given to the type of team structure most able to break down the barriers inherent in such a division of responsibilities. Full commitment on the part of all participants, acknowledgement and respect of each Principal's priorities vis-à-vis his/her clients and cost-effective achievement of audit objectives all are crucial.

The structure of the team used for the Immigration Program audit was highly decentralized. It included a central team, six departmental teams and individuals assigned to the audit of management functions such as program evaluation, human resources management and management information. These teams reported to six Principals under the authority of four Assistant Auditors General. The Assistant Auditor General in charge of the Department of Employment and Immigration was given responsibility for the audit as a whole.


The team in charge of the department responsible for the Immigration Program played a two-fold role: on the one hand, it acted as a central team responsible for developing sectoral issues, determining resource requirements, co-ordinating audit work and writing the chapter for the audit; on the other hand, it assumed responsibility for the two departmental teams assigned to audit the operations of EIC and the Immigration and Refugee Board. The EIC team also assigned its own resources to the audit of Customs and Excise.

For their respective entities, the departmental teams assumed full responsibility for auditing Immigration operations and writing their reports. However, they also had to ensure that consideration was given to the sectoral issues that the central team had developed, and issues relating to the management functions proposed by the functional specialists. In addition, they had to inform the central team of their findings and possible repercussions on the audit of other entities.

This structure presented a number of advantages. Each departmental team brought to the overall audit its knowledge of the operation of the entities for which it was responsible. The teams were given sufficient latitude to assign the resources of their choice and to plan and organize their audit work. The decision as to when to start the audit work was left up to each team provided it respected the general audit timetable. The central team, for its part, could concentrate its efforts on the department responsible for the Program and on sectoral questions.

A structure of this kind, however, called for considerable co-operation between the teams, close co-ordination of audit work and a clear definition of expectations.

In fact, the central team was given no line authority over the four departmental teams, nor did it have extensive knowledge of the operations of the entities concerned. In such a context, a central team can provide only general guidance. The success of its work depends



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primarily on its ability to persuade its partners, on the level of co-operation obtained and on the initiative of departmental teams.

We noted that the respective expectations of the departmental teams and the central team varied, as did their understanding and degree of participation. Some preferred to simply implement audit programs that had been established by the central team, while others would have preferred to be completely autonomous. In the circumstances, neither expectation proved to be appropriate or realistic.

In a sectoral audit, special attention must also be paid to the role of functional specialists. These specialists must provide functional leadership, simultaneously serving each departmental team and meeting the expectations of the central team. It is essential that their roles and responsibilities be identified clearly and as early as possible. Will they play the role of advisor or auditor? Will they write their own reports? Will these reports be focussed on the entity or on the program as whole?

We believe that there is no ideal model or single structure to manage a sectoral audit. The model chosen must be accompanied by a clear definition of roles, responsibilities and expectations on the part of senior management for all the parties concerned, and by the assignment of competent individuals willing to co-operate. Regardless of the structure, steps must be taken to ensure application of management principles that take into account the breath and complexity of a sectoral audit and the resources it requires.

We believe it is imperative that all the parties involved in the sectoral audit have a common, overall knowledge of the program and have input in defining sectoral issues. To this end, each team, including the groups of functional specialists involved, should assign a key person to be part of the central team. This would make it possible to share knowledge and to take into consideration the objectives, expectations and concerns of all the audit teams. This approach should help secure the commitment and co-operation of all concerned.

In the audit process, it is important to assign audit and report-writing responsibilities as early as possible. Ideally, one person only, preferably a Principal, should assume responsibility for reporting on a given activity, regardless of the number of entities involved. This method was used at the Director level and proved successful. For example, a single director audited and reported on port-of-entry control. This approach made it possible to effectively identify important issues and to formulate recommendations relevant to the realities of the two entities involved.

Given the many parties involved within the OAG, an integration, co-ordination and guidance mechanism is also essential. For example, a steering committee officially mandated by the Executive Committee and headed by an Assistant Auditor General could play this role. We believe that the Principals involved should sit on this committee.

It should be recognized that the OAG culture and the reward system tend to favour competition over co-operation. They mainly focus on the identification of a product with a Principal rather than on association of a product with the OAG as a whole. In the context of a sectoral audit, where many Principals contribute substantially to the same product, there is no longer this same direct association of the product with a single Principal, and this could affect

the extent of the Principals' commitment. It is imperative that this reality be recognized and that mechanisms be put in place to compensate for its effects. **The OAG culture and the reward system must encourage teamwork.** The application at the OAG of the concept of "total quality management" will likely recognize and fill this need.

In general, the auditees welcomed this initiative and co-operated with the audit teams.

Their primary interest was to make known their views on the management of the Immigration Program and the constraints they faced. Their perceptions of the Immigration Program were largely dictated by the relative significance of Immigration activities in their overall operations. In some cases, Immigration operations accounted for only a fraction of their operations, to the point where they were integrated into other activities. This was the case at Customs and Excise, where port-of-entry immigration controls are integrated into customs, health, agriculture, and other control operations.

Initially, the auditees were keen to obtain clarification in certain areas. Can such an audit lead to a new new division of responsibilities? Are the same issues audited in all the entities involved in program implementation? For example, will the efficiency of operations be audited everywhere?

The entities discussed the content of the audit reports with great interest. In fact, they felt the need to re-establish dialogue among themselves in order to follow audit developments. They also acted in concert to formulate action plans to follow up on our recommendations.

Despite the demands and constraints inherent in the conduct of such an audit, the sectoral audit of the Immigration Program proved to be a success in terms of its effects. This is evident from the hearings of the Standing Committee on Public Accounts, the measures taken in several entities as a result of those hearings and the recently proposed amendments to the Immigration Act.

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